

DEPARTMENT OF BUSINESS ASSISTANCE

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2005**



AUDIT SUMMARY

Our audit of the Department of Business Assistance for the year ended June 30, 2005, found:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- Management has established and maintained internal controls over the revenues and expenditures tested; and
- Compliance with all applicable laws and regulations.

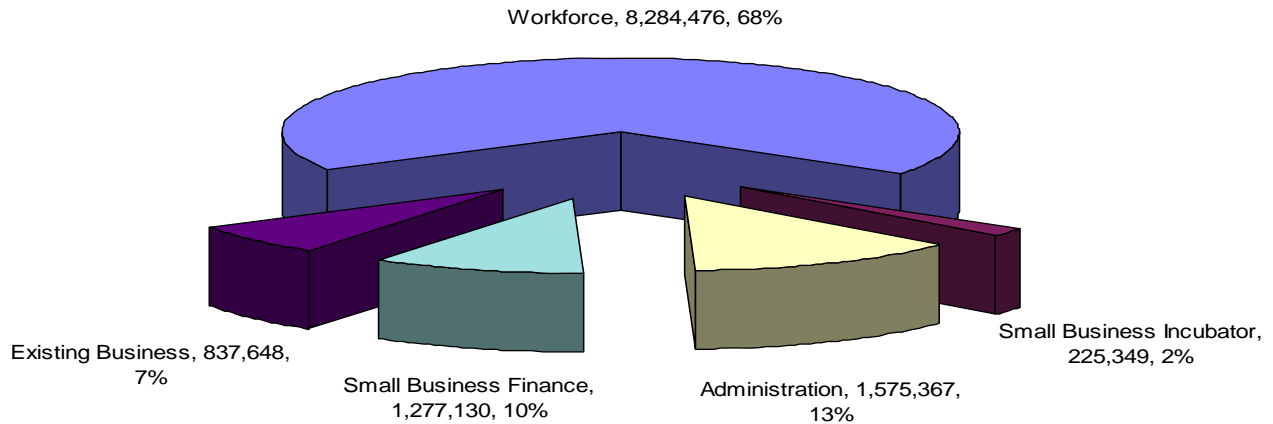
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AGENCY HIGHLIGHTS

The Department of Business Assistance administers the Industrial Development Services Program that provides a variety of services to business and industry including financial assistance, training, and counseling. The Department's primary funding source is General Fund appropriations. Below is a summary of the Department's expenses by division for fiscal year 2005, followed by a description of each division's operations.

Expenses by Division Total: \$12,199,970



Workforce Services

The Workforce Services Division works with Virginia businesses to provide customized recruitment and training programs to new and expanding companies. During fiscal year 2005, the Workforce Services staff assisted 520 companies by providing training to 13,297 Virginians based on employment qualification and skill level. The Workforce Services Division maintains a daily monitoring and forecasting tool for determining projected and active project funding based on active project budgets, projected project budgets, and historical variables.

Small Business Incubator Program

The Small Business Incubator Program provides grants and technical assistance to local and regional non-profit groups to establish and operate small business incubators. Small business incubators help entrepreneurs and startup businesses by providing the expertise, networks, and tools needed to start their ventures. As of fiscal year 2005, this program will receive no additional funding.

Existing Business Services

The Existing Business Services Division supports business formation and expansion by providing information and assistance through various programs to 32,280 state businesses during fiscal year 2005. The Division has four programs which are listed below.

The Virginia Business Information Center
The Limited English Proficiency Program

The Procurement Assistance Program
The Outreach Group

A new workshop entitled "Selling to the Commonwealth" is part of the Department's new Procurement Assistance Program, and helped 2,289 business owners, which should increase their revenues by enhancing their knowledge of state procurement practices.

Financial Services

The Financial Services Division identifies potential capital financial resources for business clients and administers loan and guarantee programs designed to foster growth and private financing. The Division also oversees the Virginia Small Business Financing Authority, which provides financial assistance to small businesses through the issuance of bonds, loan guarantees, and other assistance. During fiscal year 2005, the VSBFA administered \$11 million in financing committed to 187 businesses and local industrial development authorities resulting in \$97 million in additional financing.

Administrative

The Administrative Division provides executive management, fiscal, budgetary, information systems, public relations, educational, and human resource support to the other divisions within the Department.

FINANCIAL INFORMATION

The schedules below summarize the Department's budgeted revenues and expenses compared with actual results for fiscal year 2005.

Analysis of Budgeted and Actual Appropriations and Funding Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Funding</u>
General Fund Appropriations	\$ 10,865,726	\$ 10,693,296	\$ 10,693,296
Special Revenue Fund	350,253	576,457	549,810
Highway Maintenance and Construction	1,065,924	-	-
Trust and Agency	-	360,000	400,000
Dedicated Special Revenue	799,780	1,434,259	1,053,695
Federal Trust Fund	<u>115,088</u>	<u>115,088</u>	<u>-</u>
Total	<u>\$ 13,196,771</u>	<u>\$ 13,179,100</u>	<u>\$ 12,696,801</u>

Analysis of Budgeted and Actual Expenses Fiscal Year Ending June 30, 2005

<u>Fiscal Year</u>	<u>Program Expenses</u>			<u>Expenses by Funding Source</u>		
	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>General Fund</u>	<u>Special Revenues</u>	<u>Trust And Agency</u>
2005	<u>\$13,196,771</u>	<u>\$13,179,100</u>	<u>\$12,199,970</u>	<u>\$10,498,989</u>	<u>\$277,468</u>	<u>\$1,423,513</u>

The Special Revenue Fund appropriation increases are the result of receiving a transfer of \$135,000 to adjust the appropriations of loan programs of the Virginia Small Business Financing Authority and for the Woman's Business Enterprise Fund, and an additional appropriation of \$150,000 to pay for personnel costs of the Economic Development Loan Fund. The majority of the Dedicated Special Revenue Fund increase is a transfer of \$633,454 to move appropriations to the loan programs of the Virginia Small Business Financing Authority.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

June 29, 2006

The Honorable Tim Kaine
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited selected financial records and operations of the **Department of Business Assistance** for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal controls, and test compliance with applicable laws and regulations.

The Department of Business Assistance management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- Payroll Expenses
- Training and Incubator Grant Expenses
- Federal Grant Revenue and Expenses
- Small Purchase Charge Card

We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Department's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System for the cycles listed in the scope section of this report. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we considered necessary to bring to management's attention. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this letter with management at an exit conference held on June 29, 2006.

AUDITOR OF PUBLIC ACCOUNTS

SAH/wdh

DEPARTMENT OF BUSINESS ASSISTANCE

Mike Eisenman
Director

Preston Wilhelm
Division Director
Workforce Services

Elizabeth Moran
Division Director
Legislative and Community Affairs
(Small Business Incubator Program)

Wayne Waldrop
Division Director
Existing Business Services

Scott Parsons
Division Director
Financial Services

Stacy VanLeliveld
Director of Administration

